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NEW

BEFORE THE ARIZONA CORPORATION COMMISSION

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WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
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Commissioner

2001 OCT 31 A 8:40

AZ CORP COMMISSION
DOCUMENT CONTROL

In the matter of:

DOCKET NO. S-03461A-01-0000

GRAND CANYON WAGON ADVENTURE
TOURS, INC.
P.O. Box 578
Meadview, Arizona 86444-0578

NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST,
FOR RESTITUTION, FOR
ADMINISTRATIVE PENALTIES,
AND FOR OTHER AFFIRMATIVE
ACTION

FLOYD WILLARD DWIGGINS, JR.
185 E. Sumner Drive
Meadview, Arizona 86444

Respondents.

NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents have engaged in acts, practices and transactions, which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*, ("Securities Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, and the Securities Act.

II.

RESPONDENTS

2. GRAND CANYON ADVENTURE TOURS, INC. ("GCWAT") is a Nevada corporation, incorporated in March 2000. GCWAT'S last known business address is P. O. Box 578, Meadview, Arizona 86444-0578. GCWAT was formed to conduct mule drawn tours of the Grand Canyon.

1 3. FLOYD WILLARD DWIGGINS, JR. ("DWIGGINS") whose last known address is 185
2 E. Sumner Drive, Meadview, Arizona 86444, acted as a securities salesman on behalf of GCWAT and
3 conducted business involving the offer and sale of securities within or from the state of Arizona.
4 DWIGGINS was President and a Director of GCWAT until his recent resignation.

5 4. GCWAT and DWIGGINS may be collectively referred to as "RESPONDENTS".

6 **III.**

7 **FACTS**

8 5. From approximately March 2000, RESPONDENTS offered and sold shares of stock in
9 GCWAT. RESPONDENTS are not registered as securities dealers and/or salesmen in the state of
10 Arizona. The stock shares in GCWAT were not registered for sale in the state of Arizona. Within the
11 last few weeks, GCWAT advised a shareholder that he has the right to sell the stock he holds "to
12 whomever you like."

13 6. When RESPONDENTS began approaching individuals to purchase stock, offerees were
14 required to sign a document entitled "Contract of Confidentiality" ("Contract"). The Contract was an
15 agreement that the offeree would not disclose the business idea to anyone else. Offerees who were
16 interested in investing received a "Demand Promissory Note" ("Note"). The offeree signed the Note
17 promising a principal sum that was due and payable when the incorporation of GCWAT was complete
18 and the stock certificates available. RESPONDENTS told offerees that the purpose of the Note was to
19 determine whether or not there was sufficient interest in the project. After the incorporation of GCWAT,
20 the payee (offeree) had a limited amount of time to remit funds to GCWAT. At least some of the
21 shareholders have been told by GCWAT they can sell their shares of stock to members of the public if
22 they so desire.

23 7. RESPONDENTS never discussed with offerees or disclosed the possible risks factors
24 associated with the investment. The only document provided to some offerees in regard to the
25 investment was a one-page document entitled "Business Overview and Proposal" (Overview"). The
26 Overview provided very basic information including director's names, the mailing address and phone

1 number of the company, the goal of the company and anticipated annual revenues. DWIGGINS admitted
2 that the information on anticipated annual revenues was purely speculation. DWIGGINS promised at
3 least one investor that he could earn upwards of \$30,000 on a \$5,000 investment. Offerees were never
4 told that they could possibly lose their entire investment. At least one shareholder requested information
5 that included the number of investors, the amount of money raised and how the money was being spent.
6 DWIGGINS refused to disclose the information.

7 8. DWIGGINS purchased land that would house the company. DWIGGINS told
8 shareholders at a stockholders meeting that the land was to be titled in the names of the six founding
9 Directors. Karen F. Nero, one of the Directors, advanced money for the down payment on the property.
10 In fact, DWIGGINS purchased the land in his name, and leased it to GCWAT purportedly without
11 agreement by resolution of the GCWAT Board of Directors. Further, corporate funds were used to make
12 all the improvements on the property. Improvements included horse corrals, a bunkhouse, kitchen, and
13 other buildings. Minutes from a Board of Directors meeting held on September 13, 2000, indicate a
14 motion was made to accept the resolution that: "Floyd Dwiggins can purchase equipment and buildings
15 on ranch for a nominal fee of \$1 (one Dollar) if GCWAT should fail." The motion purportedly passed.

16 9. RESPONDENTS sold or transferred approximately 231 shares of stock. Some
17 individuals received stock for work performed on behalf of the company or for goods. Other shares
18 were sold for \$2500 per share. Shares that were sold brought in over \$200,500 to GCWAT.

19 10. In a letter dated September 15, 2001, a shareholder who had requested a return of the
20 money he invested in GCWAT stock received a letter on GCWAT stationery. The secretary of the
21 corporation advised him that GCWAT was not in a position to buy back stock at this time, but that the
22 shareholder has the right to sell the stock "to whomever you like."

23 ...

24 ...

25 ...

26 ...

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

11. From on or about March 2000, RESPONDENTS offered or sold securities in the form of stock, within or from Arizona.

12. The securities referred to above were not registered pursuant to the provisions of Articles 6 or 7 of the Securities Act.

13. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

14. RESPONDENTS offered or sold securities within or from Arizona, while not registered as dealers or salesmen pursuant to the provisions of Article 9 of the Securities Act.

15. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

16. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

a) RESPONDENTS failed to provide offerees with a prospectus or equivalent offering document containing material information about GCWAT. Information withheld included, but was not

limited to, capitalization, plan of distribution, federal tax aspects, redemptions and risks involved in this type of endeavor.

b) RESPONDENTS failed to offer detailed information on the background of the officers and key personnel of GCWAT, directors or principal stockholders including the business backgrounds and experience of the officers and directors in setting up and operating mule drawn tours of the Grand Canyon.

c) RESPONDENTS failed to notify offerees and shareholders that some investors had received stock in exchange for work performed or promised on behalf of GCWAT, in exchange for goods, or in one case because an individual "was a nice guy," thereby diluting the value of the stock.

d) RESPONDENTS failed to disclose how investors' funds would be used, including the fact that funds were used to improve real property owned by DWIGGINS, and the fact that he could purchase all improvements to the property for the total sum of \$1.00 if GCWAT fails.

e) RESPONDENTS failed to disclose to offerees and shareholders that the number of shares issued exceeded the number available for sale pursuant to a resolution by the Board of Directors.

17. This conduct violates A.R.S. § 44-1991.

XIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief against RESPONDENTS:

1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;

2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and

4. Order any other relief that the Commission deems appropriate.

XIV.

HEARING OPPORTUNITY

RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. A request must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. Each RESPONDENT must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made, the Commission may, without a hearing, enter an order against each RESPONDENT granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly M. Hood, ADA Coordinator, voice phone number 602/542-3931, e-mail shood@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

Dated this 30th day of October, 2001.



Mark Sendrow
Director of Securities

Memorandum

RECEIVED

DATE: October 31, 2001

2001 OCT 31 A 8:40

TO: Nancy Cole
Docket Control

AZ CORP COMMISSION
DOCUMENT CONTROL

FROM: Stan Tadlock
Securities Division

RE: Grand Canyon Wagon Adventure Tours, Inc.
Docket No. S-003461A-01-0000
Assigned Staff

CC: Mabel Aldridge

This is to notify you that the following individuals have been assigned to the above-mentioned case.

- ☒ Mark Sendrow
- ☐ LeRoy Johnson
- ☐ Matthew Neubert

Kathryn McCormick (Staff Attorney)

Stan Tadlock (Staff Investigator)

Note: The Assistant Attorney General assigned to this matter is: Moria McCarthy.